SASKATCHEWAN DEVELOPMENT FUND CORPORATION

AND

SASKATCHEWAN DEVELOPMENT FUND

1989 ANNUAL REPORT

90-04697/

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

AND

SASKATCHEWAN DEVELOPMENT FUND

ANNUAL REPORT

For The Year Ended
December 31, 1989

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 26, 1990

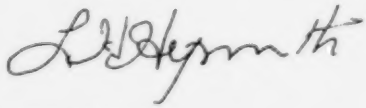
To Her Honour
Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the
Province of Saskatchewan.

Madam:

I have the honour to submit herewith the annual reports of the Saskatchewan Development Fund Corporation and the Saskatchewan Development Fund for the year ended December 31, 1989, in accordance with The Saskatchewan Development Fund Act, 1974. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,



Lorne Hepworth
Minister of Finance and
Minister Responsible
Saskatchewan Development Fund Corporation

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ANNUAL REPORT

OF

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

FOR THE YEAR ENDED DECEMBER 31, 1989

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

BOARD OF DIRECTORS

Mr. Allan McDougall, F.C.S.I., Chairman
Honourable L. Hepworth, Vice-Chairman
Mr. Nap Boutin
Mrs. Dale Duckworth
Mr. Terry Eddy
Mr. Howard Walrod

GENERAL MANAGER

Mr. W. B. Gibson

SECRETARY TO THE BOARD

Mr. I. D. Disbery

INVESTMENT MANAGEMENT

Investment Corporation of Saskatchewan

GENERAL INQUIRIES TELEPHONE NUMBERS

In Regina: (306) 787-1645
Toll free within Saskatchewan: 1-800-667-7543
Telecopier: (306) 787-8125

MAILING ADDRESS

P. O. Box 765
Regina, Saskatchewan
S4P 3A8

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

CHAIRMAN'S REPORT

The Saskatchewan Development Fund Corporation (the Corporation), as trustee, custodian and manager of the Saskatchewan Development Fund has enjoyed one of its most successful years of operation in 1989. The share value of the mutual fund is at its highest year end value ever and the Corporation continues its steady earnings performance. The Corporation has maintained its efforts to streamline operations and reduce costs wherever possible.

During 1989, the Board of Directors conducted a thorough review of the Corporation's investment policies and guidelines. In conjunction with the Investment Corporation of Saskatchewan, the Board established and approved two new investment policy and objectives statements. These statements are designed to ensure that optimum investment returns are provided after taking into account the purpose, philosophy and individual characteristics of the two separate funds that the Corporation administers. The Board of Directors of the Saskatchewan Development Fund Corporation believes that this initiative will result in even stronger financial results for the benefit of the mutual fund shareholders and the Corporation's annuitants.

I would like to take this opportunity to thank my fellow Board members for all of their efforts in the current year. I look forward to working with them in 1990.

Allan McDougall, F.C.S.I.
Chairman

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

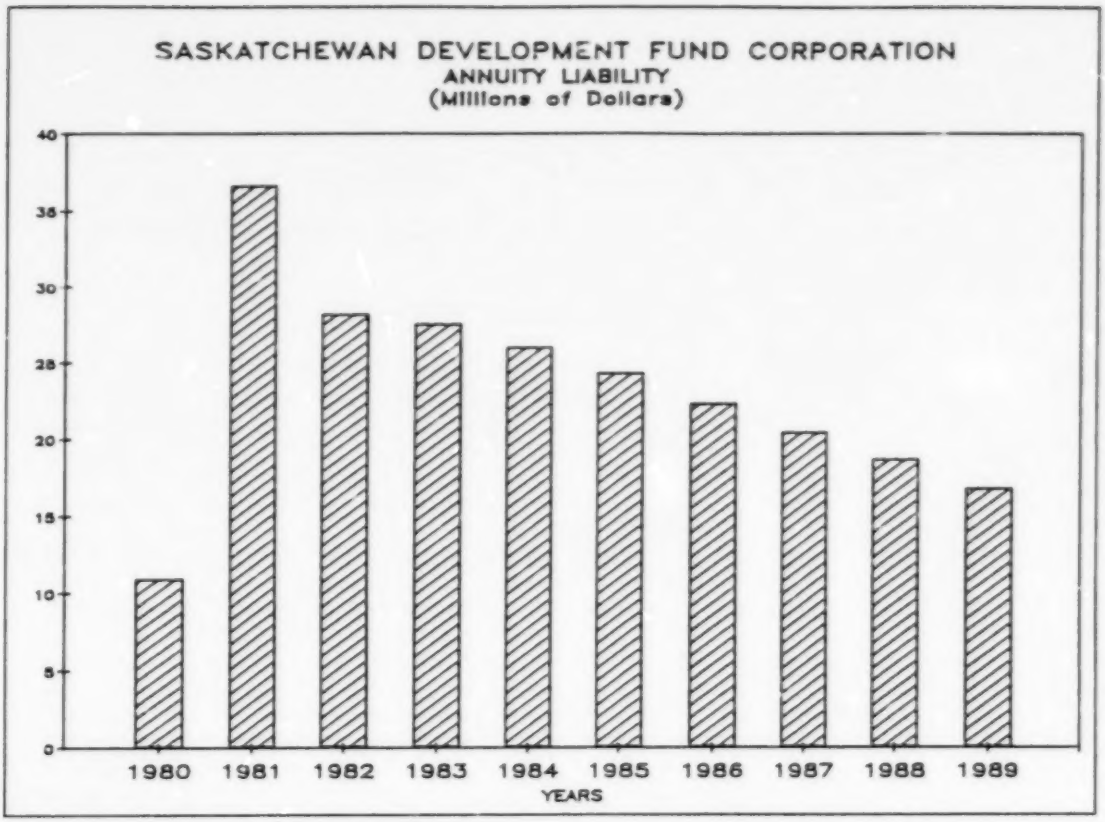
HISTORY AND CURRENT HIGHLIGHTS - 1989

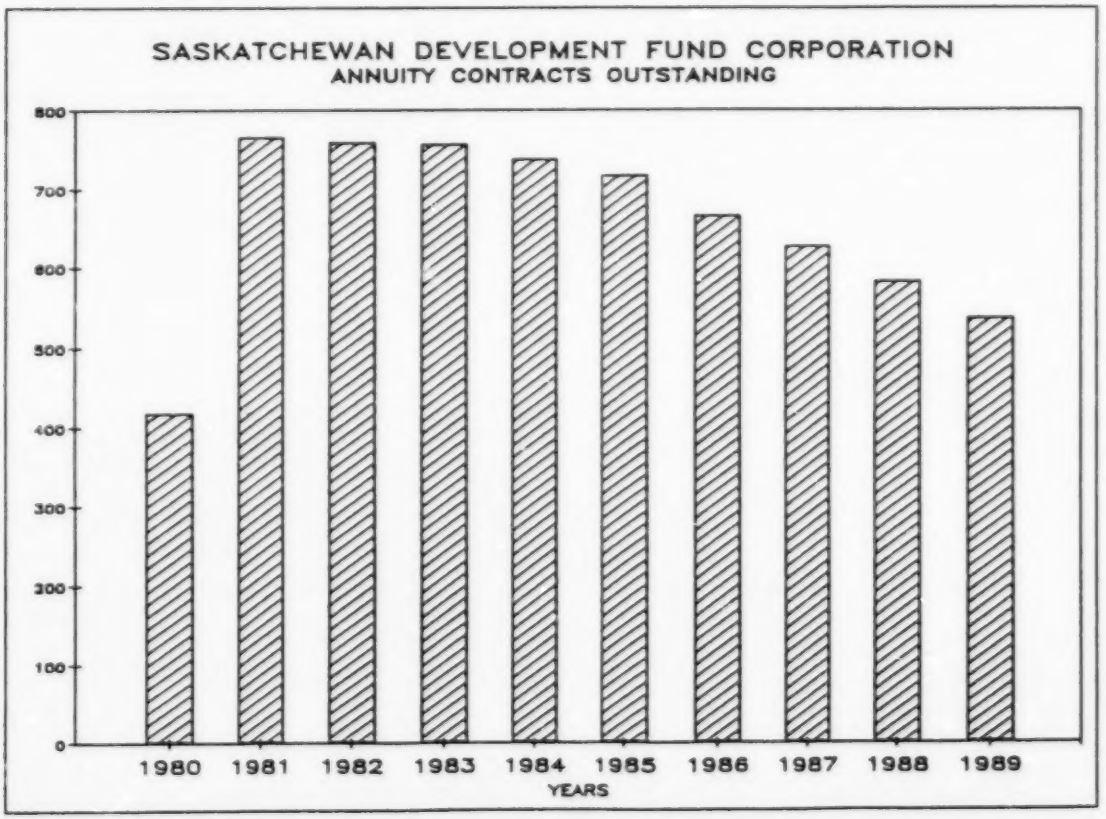
The Saskatchewan Development Fund Corporation (the Corporation) was established in 1974 under The Saskatchewan Development Fund Act to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund (the Fund), an open-end investment trust. The Corporation initially managed the affairs of the Saskatchewan Development Fund and in turn received management fees and sales charges from the Fund in exchange for the Corporation's services.

In 1976, the Corporation expanded its operations to include an annuity business which offered several different types of annuities to the public. These annuities included term-certain annuities for those wishing to receive a retirement income, Income Averaging Annuity Contracts (IAAC's) during the period of time when these annuities were popular and general annuities for those desiring an investment vehicle with combined savings and growth potential.

The Corporation continues to manage the affairs of the Saskatchewan Development Fund although it no longer offers annuities to the public. In 1985, the Corporation moved its operations to the offices of the Crown Investments Corporation of Saskatchewan and is now administered by the Saskatchewan Development Fund Corporation's Board of Directors through the use of staff and facilities provided by the Crown Investments Corporation of Saskatchewan.

The Corporation reported net earnings in 1989 of $164 thousand compared to net earnings in 1988 of $177 thousand. Total assets in 1989 were $18.5 million compared to $20.2 million in 1988.


SASKATCHEWAN DEVELOPMENT FUND CORPORATION
ANNUITY LIABILITY
(Millions of Dollars)
40
35
30
25
20
15
10
5
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
YEARS


SASKATCHEWAN DEVELOPMENT FUND CORPORATION
ANNUITY CONTRACTS OUTSTANDING
800
700
600
500
400
300
200
100
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
YEARS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL

REPORTING IN THE ANNUAL REPORT

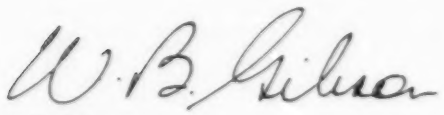
Management has prepared the financial statements of the Saskatchewan Development Fund Corporation (the Corporation) in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Arscott & Partners, the Corporation's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund Corporation,



W.B. Gibson,
General Manager.

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Saskatchewan Development Fund Corporation as at 31 December 1989 and the statements of earnings and reinvested earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at 31 December 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arscott & Partners

Regina, Saskatchewan
February 14, 1990

Arscott & Partners,
Chartered Accountants.

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31

	1989	1988
ASSETS		
Current Assets		
Cash	$ 440	$ 55,115
Short-term deposits	534,072	916,282
Interest receivable	398,377	433,013
Due from Saskatchewan Development Fund	-	5,826
Current portion of loans receivable	976,926	855,624
	1,909,815	2,265,860
Loans receivable (Note 3)	8,440,841	9,417,900
Investments (Schedule)	8,110,018	8,485,868
Fixed assets (Note 4)	3,842	5,382
	$ 18,464,516	$ 20,175,010
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Accounts payable	$ 11,338	$ 12,369
Due to Saskatchewan Development Fund	28,802	-
Current portion of annuities payable	1,900,000	1,850,000
	1,940,140	1,862,369
Annuities payable (Note 5)	14,937,599	16,889,633
	16,877,739	18,752,002
Contingent liability (Note 6)		
Province of Saskatchewan's Equity		
Advances (Note 7)	1,150,000	1,150,000
Reinvested earnings	436,777	273,008
	1,586,777	1,423,008
	$ 18,464,516	$ 20,175,010

APPROVED ON BEHALF OF THE BOARD:

Allan McDougall DIRECTOR

Lilli Hepworth DIRECTOR

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF EARNINGS AND REINVESTED EARNINGS

Year ended December 31

	1989	1988
Revenue		
Interest - loans	$ 1,317,701	$ 1,430,903
Interest - investments	1,061,595	1,175,563
Fund management fees (Note 8)	71,462	77,826
Gain on disposition of investments	15,384	22,110
	2,466,142	2,706,402
Expenses		
Interest - annuities	2,181,055	2,415,588
Salaries and employee benefits	52,475	60,686
Administrative	68,843	52,703
	2,302,373	2,528,977
Net earnings	163,769	177,425
Reinvested earnings, beginning of year	273,008	95,583
Reinvested earnings, end of year	$ 436,777	$ 273,008

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

STATEMENT OF CASH FLOWS

Year Ended December 31

	1989	1988
Cash provided by (used in) operating activities		
Net earnings	$ 163,769	$ 177,425
Add charges (credits) to operations not requiring a current cash payment:		
Amortization of discounts	(34,023)	(34,797)
Gain on disposition of investments	(15,384)	(22,110)
Depreciation	1,540	2,172
	115,902	122,690
Net change in non-cash working capital balances related to operations (Note 9)	68,233	(346,980)
Cash provided by (used in) operating activities	184,135	(224,290)
Cash provided by (used in) investment activities		
Purchase of investments	(150,000)	(206,213)
Proceeds from sale of investments	289,384	340,245
Collection of principal on mortgages	285,873	399,660
Cash provided by investment activities	425,257	533,692
Cash provided by (used in) financing activities		
Collection of loans receivable	855,757	745,208
Repayment of annuities	(1,902,034)	(1,814,572)
Cash (used in) financing activities	(1,046,277)	(1,069,364)
Net decrease in cash during the year	(436,885)	(759,962)
Cash position*, beginning of year	971,397	1,731,359
Cash position*, end of year	$ 534,512	$ 971,397

* Cash position is comprised of cash and short-term deposits

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1989

1. **Significant Accounting Policies:**

The Saskatchewan Development Fund Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments:

Short-term deposits

Short-term deposits are carried at cost. This valuation approximates their quoted market value.

Bonds and debentures

Investments in bonds and debentures are carried at amortized cost. Discounts and premiums in excess of $1,000 on the investment's purchase date are amortized to income on the straight-line method over the remaining life of the investment.

Shares

Investments in shares are carried at cost less write-downs for any permanent decline in value. Dividends are recognized as income on the ex-dividend date.

Mortgages

Mortgages are carried at amortized cost.

Fixed Assets:

Fixed assets are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred. Depreciation is provided on the diminishing balance basis at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

No depreciation is taken in the year of disposal. It is expected that these procedures will charge operations with the total cost of the assets less the estimated salvage value over their useful life. Gain or loss on the disposal of individual assets is recognized as income in the year of disposal.

2. Status of the Corporation:

The Saskatchewan Development Fund Corporation (SDFC) was established in 1974 under The Saskatchewan Development Fund Act to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund. In 1976, the Corporation also instituted an annuity business as part of its operations. The annuity operations are reflected in these financial statements. Effective January 1, 1986, the Corporation ceased to offer new annuities to the public.

SDFC has been designated by Order-in-Council as a corporation to which the provisions of Part II of The Crown Corporations Act, 1978 apply. Accordingly the financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

SDFC is a Provincial Crown corporation and therefore not subject to Federal or Provincial income tax.

3. Loans Receivable:

	1989	1988
Loans receivable at various interest rates, repayable in equal monthly installments until maturity	$ 9,417,767	$ 10,273,524
Less current portion	976,926	855,624
Long-term portion of loans receivable	$ 8,440,841	$ 9,417,900

4. Fixed Assets:

	1989			1988
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Furniture and equipment	$ 8,293	$ 7,698	$ 595	$ 744
Computer equipment	13,507	10,260	3,247	4,638
	$ 21,800	$ 17,958	$ 3,842	$ 5,382

5. Annuities Payable:

	1989	1988
Annuities payable at various interest rates in monthly, quarterly, semi-annual and annual installments until maturity	$ 16,837,599	$ 18,739,633
Less current portion	1,900,000	1,850,000
	$ 14,937,599	$ 16,889,633

6. Contingent Liability:

The Saskatchewan Development Fund Act requires that SDFC guarantee the difference between the market value of each shareholder's investment in the Saskatchewan Development Fund upon redemption and the value of the shareholder's original investment (net of initial sales charges) including accrued interest on the investment at an annual rate of 5%. This guarantee applies only if the market value of the shareholder's investment is lower than the guaranteed amount.

The guarantee liability under this provision throughout 1989 did not exceed the market value of any investment redeemed in the current year. Therefore SDFC did not pay any amounts to the Saskatchewan Development Fund's shareholders in 1989 under this provision.

7. Advances:

These advances are non-interest bearing and repayable to the Crown Investments Corporation of Saskatchewan (CIC) at its discretion.

8. Management Fees:

SDFC recovers the costs it incurs in the management of the Saskatchewan Development Fund (the Fund) by charging the Fund a management fee. This fee is limited by the Saskatchewan Development Fund Act to the lesser of 1 1/4% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

9. Net Change in Non-Cash Working Capital Balances Related To Operations:

	1989	1988
Decrease in interest receivable	$ 34,636	$ 28,656
Decrease in accounts payable	(1,031)	(16,921)
Increase (decrease) in due to Saskatchewan Development Fund	34,628	(25,937)
Decrease in dividend payable	-	(332,778)
	$ 68,233	$ (346,980)

10. Investment Management:

In 1988, SDFC entered into an investment management agreement with the Investment Corporation of Saskatchewan (ICS). ICS provides investment counsel with respect to SDFC's investment activities in exchange for a management fee. SDFC is a shareholder in ICS along with several other Saskatchewan public sector pension funds and government agencies.

11. Related Party Transactions:

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations and with which SDFC is related.

Account balances resulting from these transactions are included in the statements of financial position and are settled on normal trading terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

SCHEDULE OF INVESTMENTS

December 31, 1989

Description	Rate	Maturity Date	1989 Market Value	1989 Amortized Cost	1988 Amortized Cost
Federal and Provincial Bonds					
Canada	10.75%	Mar. 15/98	$ 158,438	$ 150,000	$ -
Saskatchewan	8.75%	Dec. 01/90	975,000	978,842	955,715
Nova Scotia Power	9.375%	Jan. 10/03	189,500	198,698	198,598
Ontario Hydro	10.375%	Jun. 16/98	203,250	200,000	200,000
Ontario Hydro	9.375%	Jan. 25/05	469,375	490,933	490,331
Ontario Hydro	10.00%	May 10/09	394,000	401,291	401,356
Prince Edward Island	10.625%	Apr. 18/04	253,438	250,000	250,000
			2,643,001	2,669,764	2,496,000
Corporate Debentures					
Avco Financial	10.75%	Apr. 02/91	196,819	200,849	201,499
Central Capital Corp.	9.00%	Dec. 31/90	242,885	247,271	244,927
Consumers' Gas	18.50%	Oct. 01/86-91	275,313	250,000	250,000
GW Utilities Limited	15.50%	Dec. 15/86-91	-	-	155,000
Inland Natural Gas	18.25%	Nov. 15/86-96	188,332	143,000	157,000
National Victoria & Grey	9.90%	Jul. 11/91	487,545	494,201	489,930
Nova, An Alta. Corp.	17.75%	Feb. 15/97	85,123	78,348	89,256
Pacific Northern Gas	18.00%	May 01/97	382,999	290,000	325,000
Royal Bank of Canada	11.55%	Oct. 06/92	502,000	501,163	501,583
Royal Trust	9.875%	Mar. 19/91	488,725	499,387	498,897
Royal Trust	9.90%	Jun. 29/92	433,265	448,257	447,564
Royal Trust	10.20%	Jun. 19/97	486,080	492,600	491,620
Sears Acceptance Co. Inc.	14.75%	Apr. 01/96	110,875	99,583	99,517
Sears Acceptance Co. Inc.	12.75%	June 15/00	305,652	278,000	302,000
Stelco	13.50%	Oct. 01/00	253,200	258,679	277,465
Traders Group	9.50%	June 15/91	97,125	98,308	95,079
West Coast Energy Inc.	12.25%	July 15/00	335,748	308,989	326,039
			$ 4,871,686	$ 4,688,635	$ 4,952,376

SCHEDULE OF INVESTMENTS (continued)

December 31, 1989

Description	Rate	Maturity Date	1989 Market Value	1989 Amortized Cost	1988 Amortized Cost
Mortgages					
Maritime Life Assurance	13.25%	May 01/90	$ 244,609	$ 245,131	$ 246,308
Metropolitan Trust	12.00%	Aug. 01/92	92,357	92,775	95,793
Metropolitan Trust	12.00%	Oct. 01/93	98,166	97,796	100,466
Metropolitan Trust	11.375%	June 01/89	-	-	276,178
Metropolitan Trust	11.855%	Dec. 01/91	306,161	309,704	312,534
			741,293	745,406	1,031,279
Shares					
Investment Corporation of Saskatchewan (100 Class A shares (1988-100))			100	100	100
Investment Corporation of Saskatchewan (6,113 Class B shares (1988-6,113))			6,113	6,113	6,113
			6,213	6,213	6,213
Total all investments			$ 8,262,193	$ 8,110,018	$ 8,485,868

ANNUAL REPORT

OF

SASKATCHEWAN DEVELOPMENT FUND

FOR THE YEAR ENDED DECEMBER 31, 1989

SASKATCHEWAN DEVELOPMENT FUND

REPORT TO SHAREHOLDERS

1989

Saskatchewan Development Fund

History and Current Highlights - 1989

The Saskatchewan Development Fund (the Fund) was established in 1974 as an open-end investment trust (mutual fund) under The Saskatchewan Development Fund Act. Over the years, the Fund offered five types of investment accounts to the public. These were registered retirement savings plans (RRSP's), registered home ownership savings plans (RHOSP's), deferred profit sharing plans (DPSP's), registered retirement income funds (RRIF's) and regular shareholder accounts.

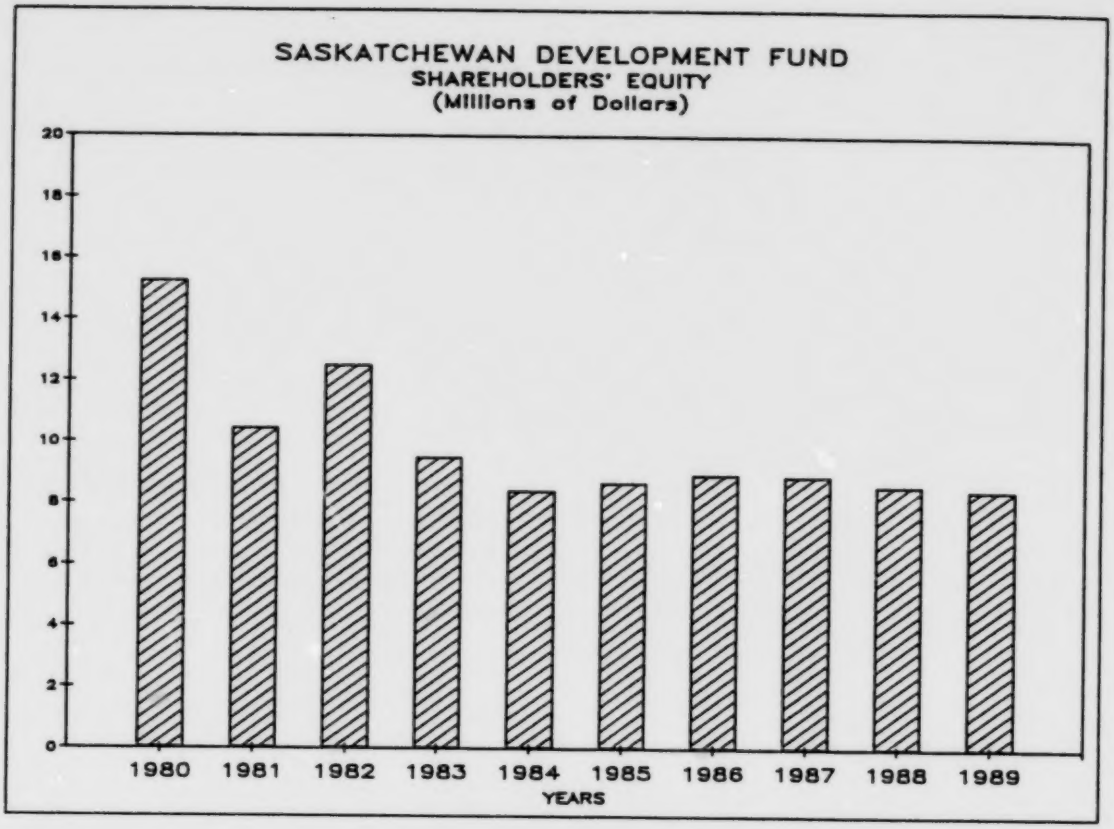
In 1983, the Fund discontinued the sale of new shares to the public and became a discontinued open-end mutual fund.

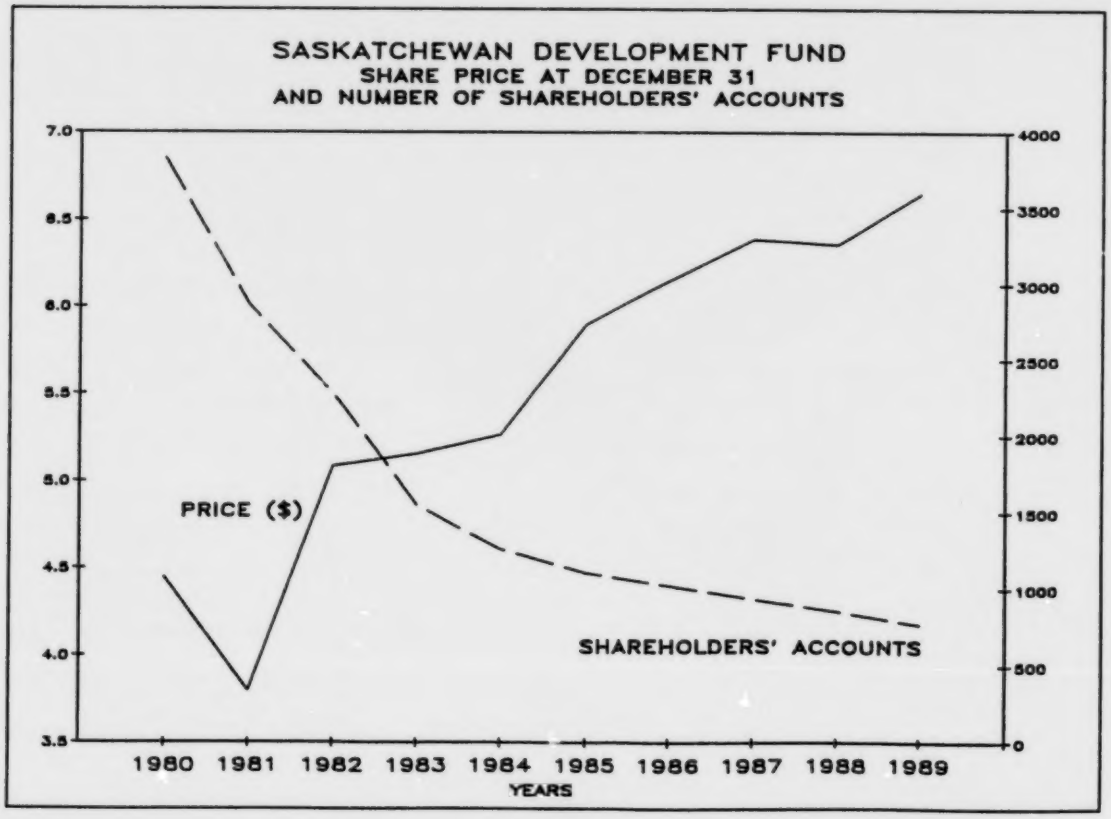
The Fund has been administered since its inception by the Saskatchewan Development Fund Corporation (the Corporation). The Corporation was created initially for this purpose only.

The Saskatchewan Development Fund experienced a steady growth in share value during the first quarter of 1989. The share value continued its increase throughout the second quarter, reaching a high of $6.73 per share in July. This quickly fell to $6.65 per share during the second half of the year, and it remained at that value at year end. Earnings per share distributed to shareholders in 1989 was 85 cents compared to 1988's 56 cents per share.

The net assets of the Mutual Fund at December 31, 1989 were distributed to shareholders by type of account as listed below. The 1988 comparative figures at December 31 are presented as well.

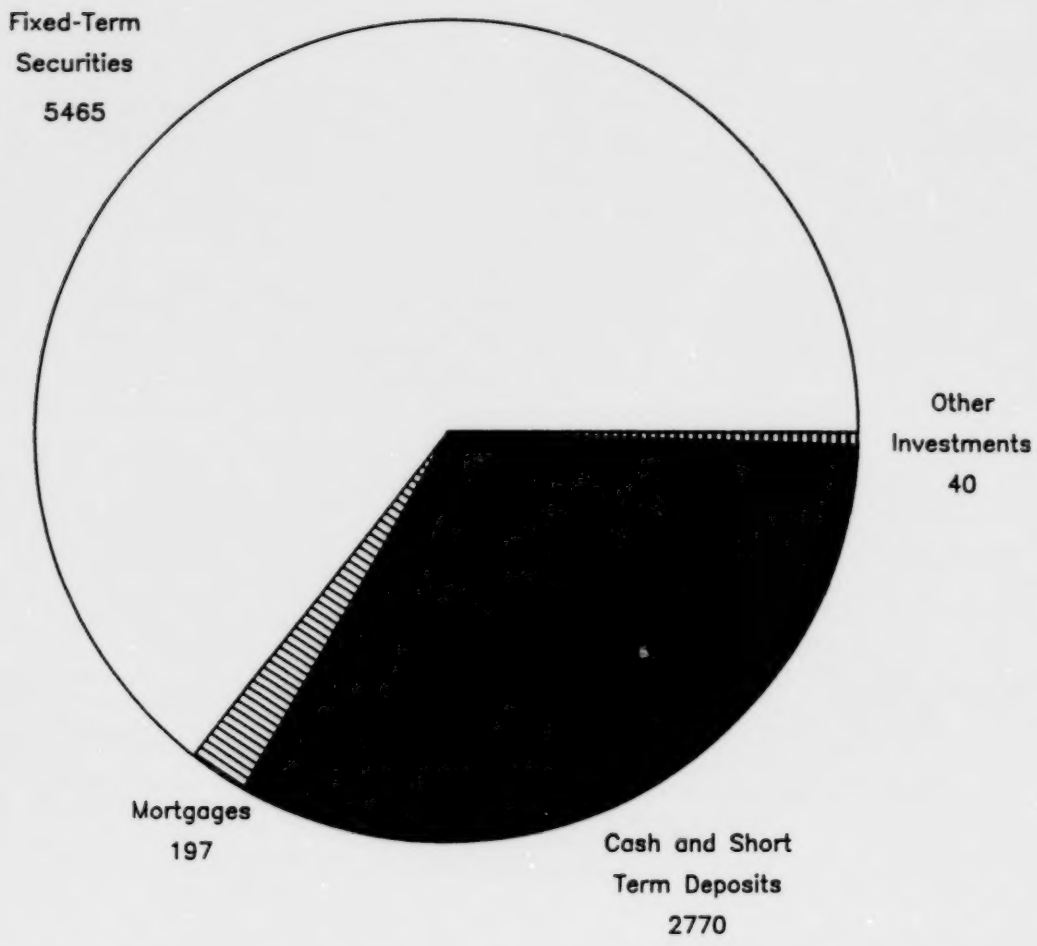
	1989		1988	
	Market Value	Number of Investors	Market Value	Number of Investors
Retirement Savings Plans	$ 6,607,652	457	$ 6,758,523	529
Regular Accounts	1,760,452	308	1,755,087	324
Deferred Profit Sharing Plans	53,391	2	46,620	2
Home Ownership Savings Plans	50,548	6	44,137	6
	$ 8,472,043	773	$ 8,604,367	861


SASKATCHEWAN DEVELOPMENT FUND
SHAREHOLDERS' EQUITY
(Millions of Dollars)
20
18
16
14
12
10
8
6
4
2
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
YEARS


SASKATCHEWAN DEVELOPMENT FUND
SHARE PRICE AT DECEMBER 31
AND NUMBER OF SHAREHOLDERS' ACCOUNTS
7.0
6.5
6.0
5.5
5.0
4.5
4.0
3.5
4000
3500
3000
2500
2000
1500
1000
500
0
PRICE ($)
SHAREHOLDERS' ACCOUNTS
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
YEARS

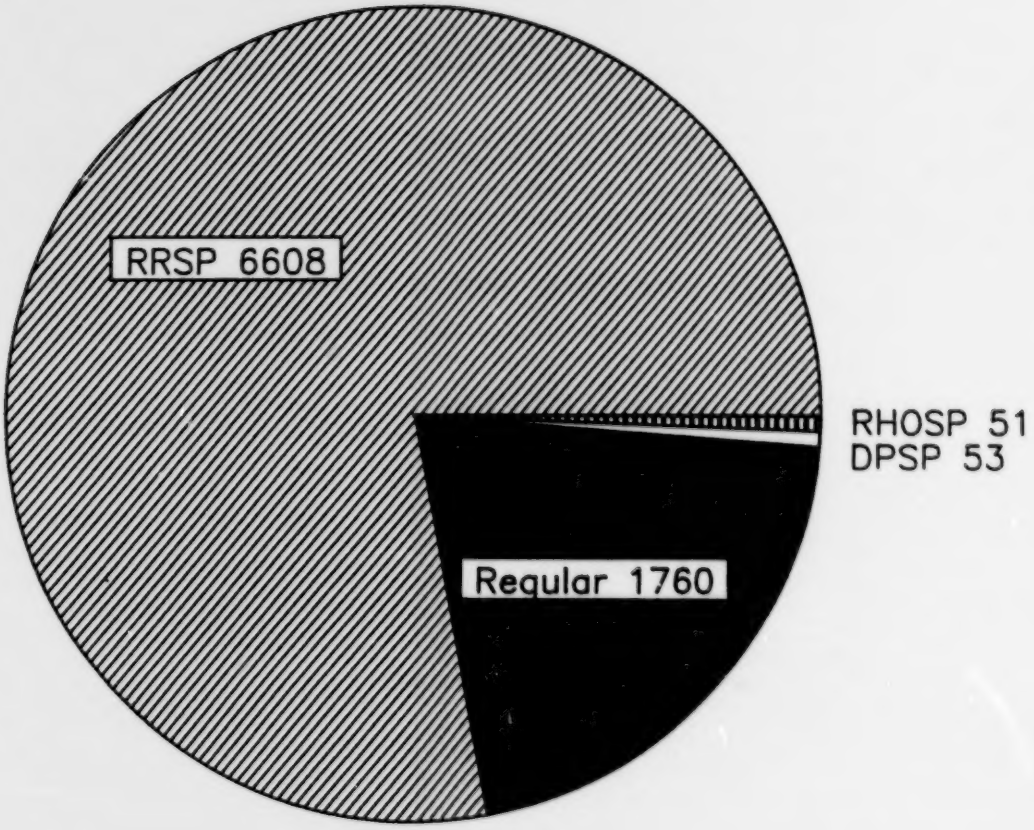
SASKATCHEWAN DEVELOPMENT FUND

Where the Funds Are Invested
(in thousands of dollars)



SASKATCHEWAN DEVELOPMENT FUND

Breakdown By Plan Type
(in thousands of dollars)



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING IN THE ANNUAL REPORT

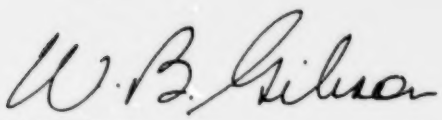
Management of the Saskatchewan Development Fund Corporation has prepared the financial statements of the Saskatchewan Development Fund (the Fund) in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Fund maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Fund.

Arscott & Partners, the Fund's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund,



W.B. Gibson,
General Manager,
Saskatchewan Development Fund Corporation.

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of assets and liabilities of the Saskatchewan Development Fund as at 31 December 1989 and the statements of earnings, change in net assets and realized gain on sale of investments for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Saskatchewan Development Fund as at 31 December 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arscott & Partners

Regina, Saskatchewan
February 14, 1990

Arscott & Partners,
Chartered Accountants.

SASKATCHEWAN DEVELOPMENT FUND

STATEMENT OF ASSETS AND LIABILITIES

As at December 31

	1989	1988
ASSETS		
Investments at market value (Note 1 & Schedule)	$ 5,662,269	$ 6,427,841
Cash and short-term deposits	2,769,762	2,002,911
Interest receivable	172,580	191,802
Due from Saskatchewan Development Fund Corporation	28,802	-
	8,633,413	8,622,554
LIABILITIES		
Payable for shares of the Fund redeemed	153,255	12,361
Other accounts payable	8,115	-
Due to Saskatchewan Development Fund Corporation	-	5,826
	161,370	18,187
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY	$ 8,472,043	$ 8,604,367
1,274,531 shares (1988-1,353,366 shares) (Notes 3 & 4)		
NET ASSET VALUE PER SHARE	$ 6.65	$ 6.36

APPROVED ON BEHALF OF THE BOARD:

Director

Director

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND

STATEMENTS OF CHANGE IN NET ASSETS AND REALIZED GAIN ON SALE OF INVESTMENTS

Year Ended December 31

	1989	1988
CHANGE IN NET ASSETS		
Net assets at beginning of year	$ 8,604,367	$ 8,917,866
Net earnings for the year	782,431	775,407
Net realized gain on sale of investments	326,250	-
Net unrealized appreciation of investments	48,482	-
	9,761,530	9,693,273
Less:		
Cost of shares redeemed	1,289,487	1,045,202
Net unrealized depreciation of investments	-	43,704
	1,289,487	1,088,906
Net assets at end of year	$ 8,472,043	$ 8,604,367
Net asset value per share	$ 6.65	$ 6.36
REALIZED GAIN ON SALE OF INVESTMENTS		
Proceeds from sale of investments	$ 835,250	$ 9,000
Cost of investments sold during the year*	509,000	9,000
Net realized gain on sale of investments	$ 326,250	$ -
*Cost of Investments Sold During The Year		
Cost of investments at beginning of year	$ 6,404,853	$ 7,881,094
Cost of investments purchased during the year	203,500	-
Collection of principal on mortgages	(508,554)	(1,467,241)
	6,099,799	6,413,853
Cost of investments at end of year	5,590,799	6,404,853
Cost of investments sold during the year	$ 509,000	$ 9,000

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND

STATEMENT OF EARNINGS

Year Ended December 31

	1989	1988 (Note 10)
Income		
Interest	$ 849,172	$ 843,392
Dividends	12,500	12,500
	861,672	855,892
Expenses (Note 7)		
Management fees (Note 8)	71,462	76,998
Investment management fees (Note 9)	6,757	828
Other expenses	1,022	2,659
	79,241	80,485
Net earnings for the year	$ 782,431	$ 775,407

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 1989

1. Summary of Accounting Policies:

The following accounting policies are considered to be significant:

Valuation of investments:

The Saskatchewan Development Fund's investments are recorded at market value determined as follows on the advice of the Investment Corporation of Saskatchewan:

a) Bonds and debentures listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Bonds and debentures not traded on that date are valued at a price between the latest closing recorded asked and bid prices.

Bonds and debentures not listed upon any exchange are valued in the same manner as above based upon any available public quotation in common use or at a price estimated to be the true value thereof.

b) Mortgages are valued at their net present value by discounting their stated rates of return to current required rates of return.

c) Short term investments are valued at cost. This valuation approximates their quoted market value.

Investment transactions and income:

Investment transactions are accounted for on the settlement date. Interest income is accrued monthly and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated in accordance with the average cost method.

2. Status of the Fund:

The Saskatchewan Development Fund (the Fund) was established as an open-end investment trust in 1974 pursuant to the Saskatchewan Development Fund Act and is managed under the auspices of the Saskatchewan Development Fund Corporation (SDFC) which performs the duties of trustee, custodian and manager for the Fund. On July 15, 1983, the Fund discontinued the sale of new shares and became a "discontinued open-end" investment trust.

3. Taxation:

The Fund qualifies as a mutual fund trust under the Income Tax Act and is fully registered to administrate five types of equity accounts. These are registered retirement savings plans, registered home ownership savings plans, deferred profit sharing plans, registered retirement income funds and regular shareholder accounts.

4. Shareholders' Equity:

a) Shareholders' equity includes the amounts representing the shareholders' net initial investments, reinvested earnings, realized gains (losses) on sale of investments and unrealized appreciation (depreciation) of investments.

b) The shares of the Fund are redeemable at the option of the holder in accordance with the provisions of the Saskatchewan Development Fund Act and with respect to the taxation status of the shareholder's account. The Fund is now a "discontinued open-end" investment trust and has taken on no new contributions since July 15, 1983 except where contractual arrangements had been made prior to July 15, 1983.

5. Net Asset Value per Share:

The net asset value per share as at the end of the last five completed financial years of the Fund was as follows:

	Year ended December 31				
	1989	1988	1987	1986	1985
Net asset value per share	$ 6.65	$ 6.36	$ 6.39	$ 6.15	$ 5.90

6. Net Earnings per Share:

The following are the net earnings per share of the Fund for the years indicated based on the average number of shares outstanding during the year:

	Year Ended December 31				
	1989	1988	1987	1986	1985
Net income per share (in cents)	85.3	56.4	89.4	81.7	52.8

7. Expense Ratio:

The following is the ratio of all expenses of the Fund expressed as a percentage of the average of the net assets calculated for the purpose of the redemption of shares of the Fund as at each valuation date of the Fund.

	Year ended December 31				
	1989	1988	1987	1986	1985
Expense ratio	0.92%	0.90%	0.56%	0.75%	1.01%

8. Management Fee:

SDFC recovers the costs it incurs in the management of the Fund by charging the Fund a management fee. This fee is limited by the Saskatchewan Development Fund Act to the lesser of 1¼% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

9. Investment Management Fees:

In 1988, SDFC entered into an investment management agreement on behalf of the Fund with the Investment Corporation of Saskatchewan (ICS). ICS provides investment counsel with respect to the investment activities of the Fund in exchange for a management fee. SDFC is a shareholder in ICS along with several other Saskatchewan public sector pension funds and government agencies.

10. Comparative Figures:

Certain of the prior year's figures in the Statement of Earnings have been reclassified to conform with the current year's presentation.

SASKATCHEWAN DEVELOPMENT FUND

SCHEDULE OF INVESTMENTS

December 31, 1989

Description	Rate	Maturity Date	Cost	Market Value
Federal, Provincial and Municipal Bonds				
Canada	10.75%	Mar. 15/98	$ 200,100	$ 211,250
Canada	9.00%	Mar. 01/11	471,875	487,500
Saskatchewan	9.00%	Feb. 01/02	843,184	865,687
City of Regina	11.25%	Oct. 31/95	391,566	395,060
			1,906,725	1,959,497
Corporate Debentures				
Bank of Nova Scotia	9.60%	Dec. 31/91	513,500	481,845
Canadian Utilities	12.00%	Oct. 15/07	500,000	548,750
Great West Life	12.75%	Nov. 15/93	500,000	521,505
Nova	11.95%	Oct. 01/07	495,500	538,125
Sask Wheat Pool	9.875%	Aug. 01/97	119,000	115,161
Xerox Financing	12.15%	Oct. 15/07	500,000	566,265
			2,628,000	2,771,651
Convertible Debentures				
Alberta Energy Corporation	7.25%	Sep. 30/03	500,000	450,625
Pacific Western Airlines	7.625%	Dec. 30/96	350,000	280,000
PCS Ownership Bonds	10.75%	Dec. 01/92	3,400	3,638
			853,400	734,263
Mortgages				
Morguard Trust	11.875%	May 01/92	202,674	196,858
			$ 5,590,799	$ 5,662,269